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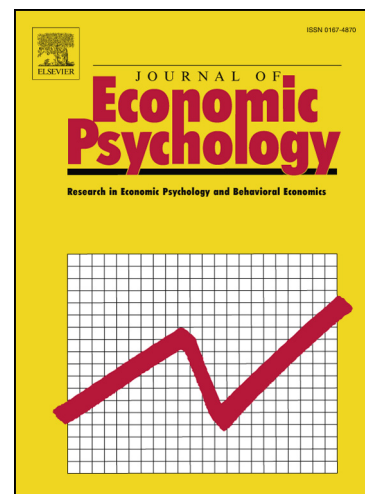
Better stuck together or free to go? Of the stability of cooperation when individuals have outside options

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# Better stuck together or free to go? Of the stability of cooperation when individuals have outside options.<sup>☆</sup>

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## Abstract

How do outside options affect cooperation? We examine the stability of cooperation and the reasons for exit in public projects with stochastic outcomes, imperfect monitoring and an exit option. We find that treatments with high barriers to exit generate higher welfare overall as they foster stability and prevent inefficient separation of pairs. There is excessive exit in treatments with low barriers to exit, driven in part by an overestimate of the likelihood that the peer will leave and a desire not to be left alone in the public project. We contrast long-term “strategic” and short-term “egoistic” drivers of exit and find that short-term cost-benefit considerations play a more important role in treatments with lower barriers to exit.

*JEL Codes:* C23, C92, H41

*PsycINFO Classification code:* 3020 Group & Interpersonal Processes

*Keywords:* beliefs, cooperation, exit, outside option, public goods, stability

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